

BUSINESS CONDITIONS

A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO

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FRANK D. WILLIAMS, CLASS A DIRECTOR

THIS MONTH

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Frank D. Williams, Class A Director

Member banks in the Seventh district with less than \$200,000 capital and surplus are represented on the Chicago Federal Reserve Bank's Board of Directors by Mr. Frank D. Williams, Executive Vice President and Cashier of The First Capital National Bank of Iowa City, Iowa. Mr. Williams has been a Class A director of this Federal Reserve bank since late April 1934.

Mr. Williams, who was born in Galt, Iowa, was connected with the banking business even before he completed his education. In the summer following his graduation from the Hampton, Iowa, high school, he worked in the State Savings Bank of Hampton. Subsequently, he attended Grinnell College, Grinnell, Iowa, for four years, and then again worked in the State Savings Bank of Hampton. In 1917 he enlisted in the United States Navy and was later commissioned an ensign; he received his discharge in 1919. Immediately thereafter he was made assistant cashier of the Hampton bank in which capacity he served for more than three years. While Mr. Williams retained this position in Hampton, he was also attending the State University of Iowa over a part of the period.

At the beginning of 1923, Mr. Williams became cashier of the First National Bank, Sheffield, Iowa, which position he filled for over six years. He next held for four years the office of cashier and later of president of the Iowa State Bank, Algona, Iowa. Mr. Williams since that time has been Executive Vice President and Cashier of the First Capital State Bank, now The First Capital National Bank, of Iowa City, Iowa, as previously indicated.

District Summary of Business Conditions

CONTINUING the expansion evident in earlier fall months, output of Seventh district industry has remained at an unusually high level. With the bulk of contracts under the defense program already let, the district is starting work on its more than half-billion dollar share of total defense contracts. Further marked gains have been shown in employment and wage earners' incomes, particularly in the durable goods industries where payrolls have already passed the 1937 peak. Though declining seasonally in some instances, sales of commodities at retail have been maintained at favorable levels. Bolstered by generally higher prices for agricultural products, cash income of district farmers has been running substantially ahead of last year.

Industry—Further substantial month-to-month gains were recorded during October in employment of Seventh district industries. Over the period, the number of workers was up 4 per cent, while wages gained 7 per cent. Since last July the Seventh district has shown a rise of 15 per cent in employment and 25 per cent in amount of wages paid. The durable goods industries have particularly contributed to gains this fall. Month-to-month trends this year have been remarkably similar to those of last year, so that comparisons with 1939 have been little changed over recent months; total industrial employment was 10 per cent and payrolls 16 per cent above last October. The level of employment and payrolls is at present close to the post-depression high reached in the fall of 1937.

With defense requirements now playing an increasingly important role, the primary steel industry has continued to operate at a sustained high level. Since the Labor Day week, rate of steel ingot operations in the Chicago district has not fallen below 97 per cent of computed capacity and for the third week in November was up to 100 per cent. There has been a steady lengthening of delivery schedules; little evidence has been found of excessive building-up of steel stock piles by important industrial consumers. Pressure on the machine tool industry for increased output continues strong, and almost all sections of the heavy industries are operating at high levels.

With volume of new business at casting foundries continuing an upward trend, production during October was accelerated over September by one third at steel foundries and by one fourth at malleable casting plants. Although business at stove and furnace factories was off somewhat from earlier high levels, shipments continued to show seasonal expansion and were 16 per cent greater than in October 1939.

Production and sales of 1941-model automobiles have been considerably better than previously expected. October automobile output was the highest in history for the month, as well as the largest for any single month since June 1937. Sales of used cars have also been good, but used-car stocks are considered somewhat unwieldy by the trade.

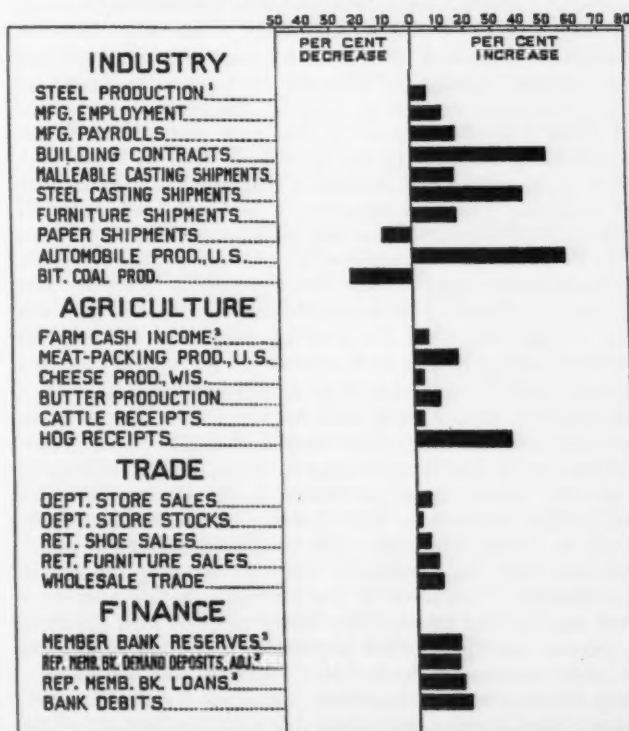
With operations at better than 90 per cent of capacity in October, shipments by district furniture manufacturers were up 16 per cent over last year. There was a substantial rise over September in production and shipments at paper mills, but activity was somewhat lower than the high level reached in October 1939. Output of soft coal mines in the area declined sharply, following a building-up of inventories prior to the price rise this fall. A seasonal expansion was shown in petroleum refinery activity.

October volume of construction contracts awarded in the Seventh district held at the high level established in recent months. Total awards were 50 per cent greater than last October, non-residential contracts figuring more prominently in the aggregate than in other recent months. For the year through October, residential contracts were about one third higher than for the same 1939 period, while total contracts were heavier by 10 per cent.

Trade—Total department store sales for October were 4 per cent larger than in the month last year, but on a daily average basis trade was at about the same level. For the three weeks ended November 16, the larger district department stores showed a sales gain of 9 per cent over the comparable 1939 period. There were seasonal declines during October in retail sales of shoes and of furniture, but shoe sales were 4 per cent greater than a year ago, while the retail furniture business was 8 per cent better than in October 1939. Rises in retail stocks were of a seasonal nature; inventories at the end of the month were on about the same level as last year. District wholesale trade showed some increase in October and, as a whole, was 9 per cent greater than last year.

Agriculture—District corn yields have turned out much better than had been expected earlier in the season, but the indicated soybean crop is lower. With livestock slaughter during October at an unusually high level—hog slaughter

SEVENTH DISTRICT BUSINESS ACTIVITY OCTOBER 1940 COMPARED WITH OCTOBER 1939



1. Ingot rate, Chicago district, week ending November 23. 2. September data. 3. As of November 20.

being in record volume for the month—meat-packing production was larger than in any previous October and 16 per cent greater than in the 1939 period. Production and consumption of dairy products have been in heavy volume for the season. Prices of most district farm products have held fairly steady, although there were sell-offs in principal grains in the third week of November. Prices of major dairy products have increased somewhat more than seasonally.

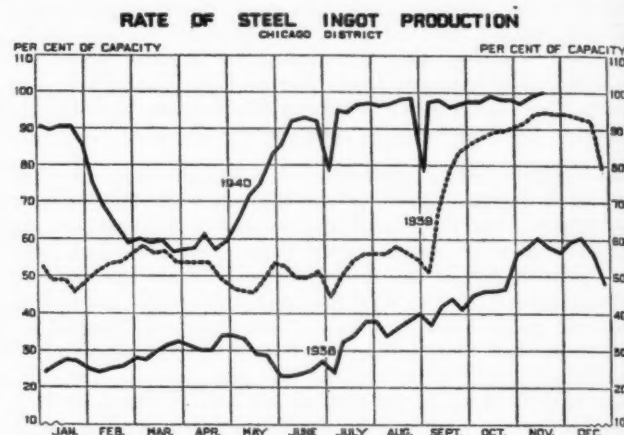
Credit and Finance—Loan volume at weekly reporting member banks in the district has continued its upward trend, reaching 1,059 million dollars by November 20. This represented a gain of 12 per cent since early June and was close to the peak reached in 1937. The high-grade bond market has been quite firm, and the Federal Reserve banks have disposed of some of their holdings of Government securities during recent weeks.

Industrial Activity

Defense Contracts—About \$1,500,000,000 in contracts was let under the National Defense Program between mid-October and November 16, swelling the total for such awards to around \$9,000,000,000. Of this latter amount, roughly \$750,000,000 has been let to firms in the Seventh district. The United States total does not include approximately \$1,000,000,000 allocated by the Navy Department for armament on naval vessels being constructed in private yards. During the period from October 15 to November 16, \$210,000,000 in contracts was awarded to Seventh district firms, or about 17 per cent of the national total for the period. Over one half covered one award to the Ford Motor Company for the manufacture of airplane engines. Also let were contracts for additional facilities at the new explosives plant to be built outside Chicago, \$11,000,000; for aircraft armament, \$13,000,000; for a new shell-loading plant, \$11,500,000; for ammunition components, \$23,000,000; for assorted construction work, \$13,000,000; for trucks and tractors, \$5,500,000; and for loading artillery ammunition, \$14,000,000.

Steel Production and Consumption—Until recently defense business had not been so important a factor in the steel industry of the Chicago district as in some other areas, a strong domestic demand being chiefly responsible for maintaining a high level of operations. Currently, however, orders for defense work are coming in at an accelerated rate and general buying for domestic uses continues heavy, so that primary producers of steel in this district are booked at least through the end of this year and deliveries are lengthening steadily. In the third full week of November, steel ingot output had reached a rate equal to 100 per cent of computed practical capacity; it had not been under 97 per cent of capacity since the week containing the Labor Day holiday. October business at sales offices was decidedly above the September volume. The first half of November saw a very slight easing in demand, but it is believed this was due to the desire on the part of consumers to maintain orderly buying and to give precedence to defense business.

Mill backlogs continue to grow and deliveries have been extended to almost three months on certain of the more popular items of steel. Structural steel has been exceptionally active in the recent demand, while carbon and alloy bars still remain most prominent in the buying. Hot and cold rolled sheets also have become of increasing importance in current bookings, with household appliance manufacturers and the automotive industry figuring largely in this demand. Purchases by the railroads in this area have been sizable, and among other heavy users of steel products at present are agricultural implement firms, manufacturers of heavy machinery, the building industry, tank contractors, drop forgers, and, as has been indicated, structural fabricators. Steel warehouses, whose business has been excellent and where inventories are being built up, likewise have been active buyers of steel.



By weeks. Source: Iron Age.

Although an increasing amount of current bookings is for first-quarter delivery and there is definite evidence of considerable buying of steel products for inventory-building purposes, it is believed that with few exceptions inventories are little more than adequate for regular business purposes. A number of steel-consuming concerns in this district would have to increase their stocks of steel, if much defense work is obtained. Present buying policy of steel users apparently depends largely on the delivery situation, for as schedules continue to lengthen, steel users feel it necessary to anticipate their requirements somewhat further in advance. Another factor is the prospect that defense needs will become increasingly great, and it is hoped not to hamper deliveries on such business later by purchases for domestic purposes. Among steel consumers that have expanded their raw material stocks recently are the automobile industry and its suppliers, agricultural implement makers, manufacturers of machine tools and of heavy machinery, miscellaneous users of steel, and the steel warehouses. It is indicated that 1941 consumption of steel will also be very high and in many instances on an even larger basis than currently, especially in view of expected defense business to be received.

Makers of machine tools in this area are meeting with increasing pressure, as defense business becomes ever greater and general demand remains strong. The delivery situation is a growing problem and lack of an adequate supply of skilled workers in this industry is a complicating factor.

Prices of rail steel items were raised in mid-November by certain companies in the Chicago district area. Scrap iron and steel prices have been strong and recently have moved upward, although trading has remained rather dull.

October production of pig iron in the Illinois and Indiana district was in record volume, on a daily average basis, surpassing slightly the previous peak reached in June 1929.

STEEL AND MALLEABLE CASTINGS SEVENTH DISTRICT

	October 1940 Per Cent Change from	
	September 1940	October 1939
Steel Castings:		
Orders booked (tons).....	+38.9	-16.1
Orders booked (dollars).....	+37.5	-15.3
Shipments (tons).....	+23.8	+41.3
Shipments (dollars).....	+18.0	+42.0
Production (tons).....	+36.4	+26.8
Malleable Castings:		
Orders booked (tons).....	+49.7	+26.9
Orders booked (dollars).....	+47.0	+25.0
Shipments (tons).....	+18.3	+15.8
Shipments (dollars).....	+19.9	+18.6
Production (tons).....	+25.1	+10.0

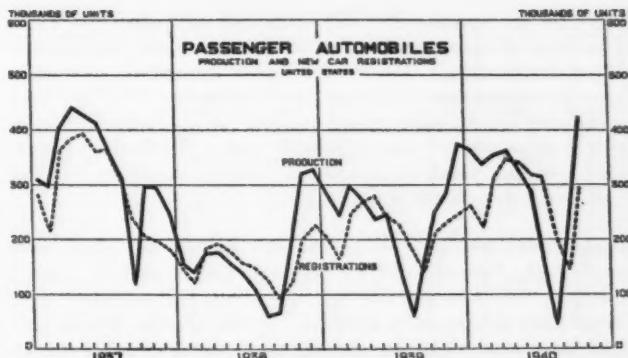
Following two months of substantial increases, orders booked by reporting stove and furnace companies in the Seventh district fell off 25 per cent in the aggregate for October from the preceding month and they also totaled 2 per cent smaller than a year ago. Shipments, on the other hand, continued a seasonally expanding trend, rising 19 per cent over the September volume, and exceeded those of last October by 16 per cent. Production followed the trend of shipments. There was some further reduction of inventories between the end of September and October 31.

Automobiles—Reflecting the high level of employment and some anticipatory buying in view of possible emergency defense requirements later, production and sales of 1941-model automobiles have been unexpectedly great. Factory output of new cars during October was the heaviest for the period in history and larger than for any month since June 1937. There were 421,214 passenger cars and 72,009 trucks manufactured in the United States, which figures represent gains of 88 and 61 per cent, respectively, over the September volumes, and of 67 and 17 per cent over October a year ago. By early November 1940 production of automobiles to date had surpassed that for the entire calendar year 1939.

Although November has three less working days than did October, it is anticipated that at the rate of output prevailing through the first half of the period, production for the entire calendar month will fall only a little below that for October. Despite unusually heavy retail sales of new passenger cars, field stocks are being augmented in most instances because of the exceptionally large factory production. However, supplies of several popular models still are inadequate to meet current demand. Retail selling of trucks has been on the increase and together with requirements for military purposes has somewhat complicated the situation in this industry.

The movement of used cars has been good over the country, but field stocks are considered rather unwieldy. Stocks of late-model used cars, in particular, are heavy and trade-in values given on such cars have been relatively great.

In the Seventh district, sales of new automobiles rose sharply during October over September, both in the wholesale and retail field, and were substantially larger than in October last year. The number of cars sold by reporting dealers rose 83 per cent over September and increased 43 per cent over a year ago. Stocks of new cars, on the other hand, also expanded considerably—almost 50 per cent in number—between September 30 and October 31, and on the latter date were twice as heavy as in 1939 at the same time. Used-car sales in this area gained over those in the month last year by better than 20 per cent. Dealer stocks of used cars exceeded the October 31, 1939 level by one third, while value of such inventories increased to an even greater extent in the comparison.



Number of new passenger automobiles produced and registered each month in the United States. October 1940 registrations estimated. Source: Production, United States Department of Commerce; Registrations, R. L. Polk & Company.

Building—The downturn for October in construction contract volume was somewhat smaller in the Seventh district than has usually been the case in other years, amounting to but 3 per cent. Residential awards, which made up nearly one half of the district total, fell below the September level, but except for the preceding month were the heaviest for any corresponding period since the summer of 1929. Awards for commercial and industrial building continued to expand, totaling more than twice the volume for October last year. Less impressive, but showing gains none the less, were the comparisons for public works and utility projects. About one third of the October contracts were publicly financed, a somewhat higher proportion than has generally prevailed so far this year but lower than the 42 per cent of all awards in the first ten months of 1939 that were publicly financed.

BUILDING CONTRACTS AWARDED SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
October 1940.....	\$ 67,270,000	\$ 31,390,000
Change from September 1940.....	-2.7%	-8.4%
Change from October 1939.....	+50.5%	+40.1%
First ten months of 1940.....	\$336,819,000	\$237,028,000
Change from same period in 1939.....	+10.5%	+32.5%

Data furnished by the F. W. Dodge Corporation.

On a seasonally adjusted basis, distribution of basic building materials increased during October, particularly that of wholesale lumber and cement. Prices of building materials, according to the Bureau of Labor Statistics, advanced about 2 per cent in October.

Furniture—The dollar amount of orders booked during October by Seventh district furniture manufacturers closely approximated that of the preceding month and totaled 7 per cent heavier than in the corresponding year-ago period. Shipments expanded 16 per cent and were this same percentage above those of last October. A slightly greater volume of shipments than orders, plus cancellations, reduced backlogs 5 per cent between September 30 and the end of October. Factory operations averaged over 90 per cent of capacity in October, several firms producing at or above previously computed practical capacity rates.

Freight-Car Loadings—Daily average freight-car loadings originating on the lines of 21 railroads in the Seventh district fell, during October, slightly below the high level prevailing a year earlier, although the cumulative total for

the first ten months of 1940 continued well ahead of 1939. Loadings of coal and of grain in October were much below the year-ago levels, the former due to inventory accumulation by consumers prior to introduction on October 1 of minimum F.O.B. mine prices and the latter to smaller movements this year of the principal grains. Reflecting a generally higher level of industrial activity, loadings of coke continued substantially above 1939.

Coal Production—Daily average output of bituminous coal in the Seventh district declined rather sharply during October, whereas an increase of about 15 per cent over September is normally expected at this season. Production had been at a high rate during the latter part of the summer, as consumers built up inventories in anticipation of price increases after October 1. Following such rises in quotations, resulting from the establishment of minimum F.O.B. mine prices under the Bituminous Coal Act of 1937, output diminished, both for the Seventh district and for the nation as a whole, as consumers made more extensive use of inventories previously built up. Cumulative production of coal in the district for the first ten months of the year exceeded 1939 by 7 per cent.

Petroleum Refining—The rate of refinery operations in the Seventh district expanded during October in about the normal seasonal proportions, gasoline production exceeding the September figure by 3 per cent. However, the margin of increase over 1939 has been narrowed considerably in the past two months, as comparisons are made against a sharply rising trend in the fall months last year. Daily average consumption of gasoline in this area is estimated to have declined from September, with the result that stocks at refineries rose somewhat further.

Employment and Payrolls

The rising trends in Seventh district employment and payroll volumes continued in October. This marked the third successive month of increases in these highly significant indicators of economic activity. The number of work-

ers employed in the district has risen 15 per cent since this last July, while their total remunerations have increased by 25 per cent. Data for October were strongly influenced by the durable goods group, particularly by the automobile and its related industries. In the latter, increases of 10 and 17 per cent, respectively, were recorded over September in employment and payrolls, as the industry swung into full volume production on the 1941-model cars. Less spectacular gains were noted in the metals (largely steel) and in the wood products groups. In the non-durable classification, little net change was recorded. Seasonal decreases in the output of a number of important food products, especially canned goods, more than offset an expansion in the meat-packing industry. Consequently, net declines took place in the food products group, which counteracted rises in most of the other non-durable goods industries. The chemical, rubber products, and paper industries continued to add to their employment and payroll volumes, while slight change was shown in the textiles group. Among the non-manufacturing groups, seasonal influences were generally operative, except in the public utilities where gains were evident, contrary to the usual trend at this season.

The margin of increase over 1939 which prevailed during September in aggregate district volumes was maintained in October. Employment was about 10 per cent above the corresponding 1939 level, while payrolls stood 16 per cent higher. Relationships between this year and 1937 were little changed; employment was 2 per cent lower than three years ago, while wage payments were larger by the same percentage.

Trade Trends

Department Stores—Aggregate volume of Seventh district department store trade was up 2 per cent in October over the preceding month and exceeded that of the corresponding 1939 month by 4 per cent. Owing to a greater number of trading days in the current period, however, sales on a daily average basis declined 10 per cent in the former and increased only fractionally in the latter comparison. Following special promotional sales in September, Detroit department store trade was off more than 20 per cent in the aggregate for October from a month previous. Business of Chicago stores increased 12 per cent, that of Indianapolis and Milwaukee firms rose 5 and 4 per cent, respectively, and the total for stores in other cities showed a 12 per cent expansion.

Data covering the three-week period ended November 16 indicate sales increases of 5 per cent in Chicago, 16 per

EMPLOYMENT AND PAYROLLS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of October 15, 1940			Per Cent Change from Sept. 15, 1940	
	No. of Reporting Firms	No. of Employees	Wage Payments ('000 Omitted)	No. of Employees	Wage Payments
DURABLE GOODS:					
Metals and Products ¹	1,741	482,021	\$15,278	+3.5	+4.4
Vehicles.....	383	397,176	15,531	+9.5	+17.2
Stone, Clay, and Glass.....	254	19,932	524	+0.7	+2.2
Wood Products.....	439	49,676	1,128	+3.3	+6.3
Total.....	2,817	948,805	32,461	+5.8	+10.2
NON-DURABLE GOODS:					
Textiles and Products.....	371	62,916	1,233	+0.6	-0.6
Food and Products.....	1,066	122,406	3,030	-4.3	-1.6
Chemical Products.....	303	36,670	1,124	+1.6	+2.9
Leather Products.....	170	27,281	502	+0.5	+1.1
Rubber Products.....	33	16,404	408	+7.8	+2.1
Paper and Printing.....	695	79,021	2,359	+1.5	+3.2
Total.....	2,635	344,701	8,746	-0.6	+0.7
Total Mfg., 10 Groups.....	5,455	1,293,506	41,207	+4.0	+8.0
Merchandising.....	4,962	139,566	3,067	+3.7	+1.3
Public Utilities.....	1,085	103,590	3,567	+0.7	+1.9
Coal Mining.....	47	7,920	202	+10.9	+13.1
Construction.....	730	13,222	457	-4.1	-5.5
Total Non-Mfg., 4 Groups.....	6,824	264,268	7,293	+2.3	+1.4
Total, 14 Groups.....	12,279	1,557,774	48,500	+3.7	+7.0

¹Other than vehicles.
Data furnished by State agencies of Illinois, Indiana, Michigan, and Wisconsin.

DEPARTMENT STORE TRADE IN OCTOBER 1940

Locality	Per Cent Change October 1940 from October 1939		Per Cent Change First Ten Months 1940 from Same Period 1939	Ratio of October Collections to Accounts Outstanding End of September	
	Net Sales	Stocks End of Month	Net Sales	1940	1939
Chicago.....	+4.1	+3.2	+5.4	47.4	49.2
Detroit.....	+8.3	+0.3	+8.5	49.8	48.9
Fort Wayne.....	-3.2	+6.3
Indianapolis.....	+5.5	+6.0	+7.7	38.8	37.8
Milwaukee.....	+3.9	-5.2	+5.9	39.7	39.8
Peoria.....	-9.4	+2.2
Other Cities*.....	+0.1	+2.8	+4.6	33.2	31.6
7th District.....	+4.4	+1.8	+6.1	43.7	43.5

*Include Fort Wayne and Peoria.

cent in Detroit, 11 per cent each in Indianapolis and Milwaukee, and 9 per cent for the district as a whole over the corresponding weeks a year ago.

Department store stocks rose further during October by 8 per cent, which is in accordance with seasonal trend, and totaled 2 per cent above those held on October 31, 1939. This latter gain may be largely discounted, however, by the somewhat higher prices that prevail this year in various merchandise groups. Rate of turnover continued higher than last year.

Retail Shoes—The usual sharp decline was recorded during October in the retail shoe trade of the Seventh district, sales of reporting dealers and department stores totaling almost 30 per cent below those of a month previous. Such sales increased 4 per cent in the aggregate over last October. Retail inventories of shoes, though rising 3 per cent between September 30 and October 31, remained slightly less on the latter date than a year earlier.

Retail Furniture—A 15 per cent decline, largely seasonal, took place in October from September in sales of furniture and housefurnishings by Seventh district dealers and department stores. Since the majority of reporting firms had heavier sales in this comparison, declines in the total reflected lower sales by a few large firms. An increase of 8 per cent was shown over last October. Stocks of furniture and housefurnishings were expanded by 4 per cent in the aggregate by October 31 over the end of September but continued only a little above the corresponding 1939 level.

Wholesale Trade—In general, distribution of commodities at wholesale by houses located in the Seventh district and reporting to the Bureau of the Census rose during October over the preceding month. The only major group to show a decline in the comparison was the jewelry trade, and total sales by all lines were up 8 per cent. As compared with a year ago, also, most wholesale trade phases recorded increases, the gain in the aggregate amounting to 9 per cent. Wholesale inventory trends varied considerably as between the end of September and October 31; with the exception of groceries and meats, stocks on the latter date remained somewhat heavier than a year earlier.

WHOLESALE TRADE IN OCTOBER 1940

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Drug Sundries.....	+ 9.3	+ 2.4	+ 6.4	+ 6.5
Electrical Goods.....	+ 3.2	+ 5.3	+ 3.6	+ 1.9
Groceries.....	+13.3	- 3.0	- 1.7	+ 2.5
Hardware.....	+14.3	+ 4.7	+12.1	+11.2
Jewelry.....	+ 0.6	+ 5.7	+19.1	+ 7.2
Meats and Meat Products.....	+ 4.9	- 2.1	- 2.9	+ 2.7
Paper and Its Products.....	- 2.3	+ 2.6	- 1.6	- 0.4
Tobacco and Its Products.....	+ 9.9	+ 6.1	+ 4.9	+12.6
Miscellaneous.....	+ 8.9	+ 3.9	+ 7.0	+ 5.3

Data furnished by Bureau of the Census, United States Department of Commerce.

The Agricultural Situation

Crops—Husking returns have indicated higher corn yields per acre than had been expected on October 1. Final out-turn of the Seventh district crop, therefore, was estimated as 40 million bushels greater on November 1 than had been indicated a month earlier. On the other hand, soybean production was off another 2 million bushels over the month, and the potato crop was 3 million bushels less than had previously been estimated.

CROP PRODUCTION

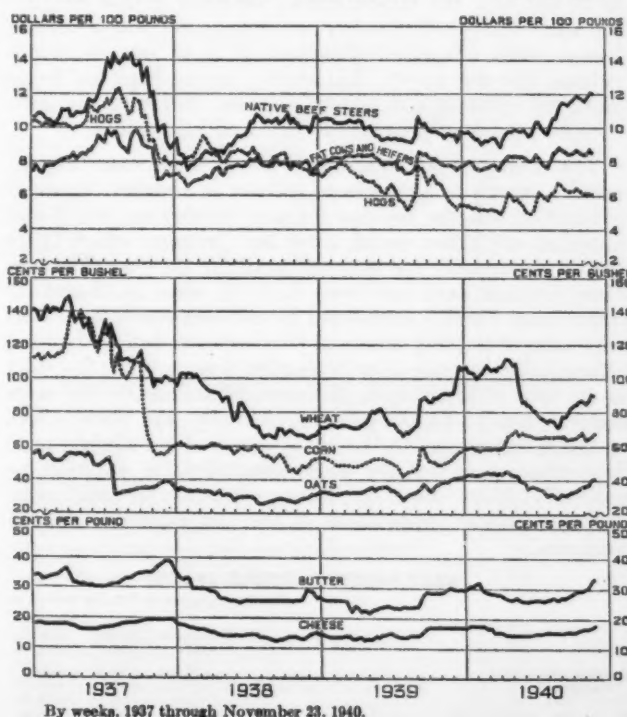
Estimated by the United States Department of Agriculture on November 1 Condition
(In thousands of bushels, unless otherwise specified)

	Seventh District			United States		
	Pre-liminary 1940	Final 1939	Average 1929-38	Pre-liminary 1940	Final 1939	Average 1929-38
Corn.....	955,812	1,132,703	849,234	2,433,523	2,619,137	2,299,342
Soybeans.....	61,691a	69,612a	21,514 a	79,198	87,409	27,318
White Potatoes.....	40,591	46,211	50,703	393,931	364,016	366,949
Beans (dry edible) ¹	3,961b	4,529b	3,965b	15,130	13,962	13,086
Onions ¹	2,938c	2,804c	3,028c	15,142	17,840	14,157
Sugar Beets ²	1,062d	1,033d	793d	11,633	10,773	8,937
Cabbages ²	219e	167e	305e	1,289	1,137	1,134
Sugar Beets ²	685c	629c	805c	5,904	5,739	7,617
Cranberries ³	119e	108e	62e	570	704	590

¹In thousands of 100-lb. sacks. ²In thousands of tons. ³In thousands of barrels. a—Illinois, Indiana, and Iowa. b—Michigan and Wisconsin. c—Five States including Seventh district. d—Michigan. e—Wisconsin.

Grain Marketing—Trends in domestic wheat prices have continued to be largely dominated by the effect of the loan program in reducing the supply of free wheat. There was an almost uninterrupted price advance from the middle of August until October 24 when, after the loan program had forced wheat prices up to a level which represented in most areas the basic price plus accrued charges, the market reacted under weak milling and flour trade and a decline in the open interest. In November prices again recovered, although there was a substantial sell-off in the third week of the month. Very little increase took place in country marketings of wheat following price advances, and substantial amounts of the grain went under loan; by mid-month the total under loan passed 250 million bushels. A revival in flour demand and the continued holding attitude of farmers likewise sustained prices. The extent to which North American wheat prices are being held above "world" prices by Government support is indicated by the export indemnity which would be required to export wheat to Europe. The Department of Agriculture estimates that as of mid-November this would be about 31 cents per bushel from Gulf ports.

PRICES OF FARM PRODUCTS AT CHICAGO



In late October and early November, corn prices weakened a little but continued considerably higher than last year. By mid-month prices had improved somewhat; new corn was beginning to move in fairly large volume, and quality, while not so good as in the preceding three years, turned out better than had been expected, a substantial proportion of receipts grading No. 3 or better. On the basis of the revised Government crop estimate, the total supply of corn available for the crop year beginning October 1 is 3,135 million bushels, which except for last year is the largest supply since 1932. Announcement of the new corn loan basis of 61 cents on November 19 apparently was well discounted in advance by the trade.

Conditions in the Argentine have continued very serious. November corn contracts at Buenos Aires went as low as 23 cents in early November, reflecting a surplus of 250 million bushels and almost no export outlet. Some Government-owned corn is to be sold for use as generating fuel.

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES (In thousands of bushels)

	October 1940	September 1940	October 1939	October 1930-39 Avg.
Wheat:				
Receipts.....	17,983	38,427	19,584	22,641
Shipments.....	15,597	17,494	18,966	19,453
Corn:				
Receipts.....	37,115	29,995	32,110	20,868
Shipments.....	19,093	12,473	13,204	10,594
Oats:				
Receipts.....	4,228	6,968	6,262	6,864
Shipments.....	4,240	8,941	6,193	6,684

Livestock and Meat Packing—Hog prices showed moderate weakness in October and November, though declines were small in relation to the greatly increased marketings. Beef quotations have been higher than in mid-October. Receipts of hogs at public stockyards in the United States during October registered a greater than normal increase over September, and the margin of gain over last year widened to 27 per cent, the largest spread recorded in this comparison since last April. October cattle slaughter was unusually heavy, while inspected slaughter of hogs was in record volume for the month. Apparently spring pigs are being marketed early and in lighter weights, reflecting the unfavorable relationship between corn and hog prices.

The meat-packing industry of the United States experienced a month of exceptional activity in October. Tonnage production was the heaviest for any October on record and exceeded any other month since last January, which latter period is normally the seasonal peak for the year. The previous October peak had been in 1934, when stockyard receipts were heavily augmented by drought conditions. Tonnage sales of packing houses in October exceeded production, although the increase over September was more modest than in the case of production. Not since 1923 had October sales been so heavy. Lower prices apparently had some effect on the sales volume. Dollar sales increased but slightly over September, inducing the assumption that, in addition to generally lower meat quotations, October tonnage sales included greater proportions of the less expensive animal products.

MEAT PACKING—UNITED STATES

Per Cent Change in October 1940 from

	September 1940	October 1939	October 1930-39 Avg.
Tonnage produced.....	+27.7	+15.6	+20.4
Tonnage sold.....	+16.4	+16.1	+18.5
Dollar sales.....	+3.6	+3.4	+13.4
Inventories, end of month.....	-5.5	+38.5	+14.8

LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District:				
October 1940.....	202	777	248	73
October 1939.....	190	553	233	75
Federally Inspected Slaughter:				
United States:				
October 1940.....	968	4,483	1,734	507
September 1940.....	812	3,168	1,469	417
October 1939.....	893	3,545	1,885	482

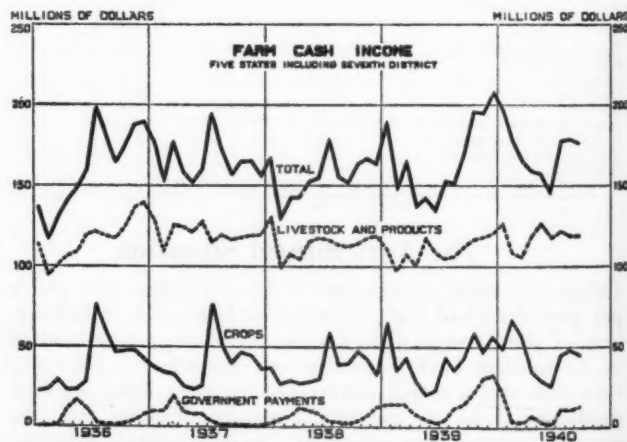
AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended Nov. 23, 1940	October 1940	Months of September 1940	October 1939
Native Beef Steers (average).....	\$12.00	\$11.75	\$11.45	\$ 9.75
Fat Cows and Heifers.....	8.50	8.50	8.60	8.15
Calves.....	9.00	9.50	10.50	10.50
Hogs (bulk of sales).....	6.15	6.30	6.45	6.85
Lambs.....	9.10	9.20	9.10	9.30

Dairy Products—With dairy pastures favored during October by mild weather and the lateness of the season, milk flow per cow on the first of November was at unusually high levels for that time of year. Since feed supplies are quite ample, dairy cows have also been fed liberally on grains. Though only slightly higher than average, October production of creamery butter in the United States was 11 per cent greater than last year. Output of American cheese continued high; for the nation, production totaled about 45 million pounds, which was 12 per cent higher than for October 1939. In the Seventh district, butter production was up 9 per cent over 1939. United States stocks of dairy products on November 1 were rather low when compared with November 1 supplies of recent years. Including Government holdings, butter stocks were down 18 per cent from 1939, but cheese supplies continued heavy.

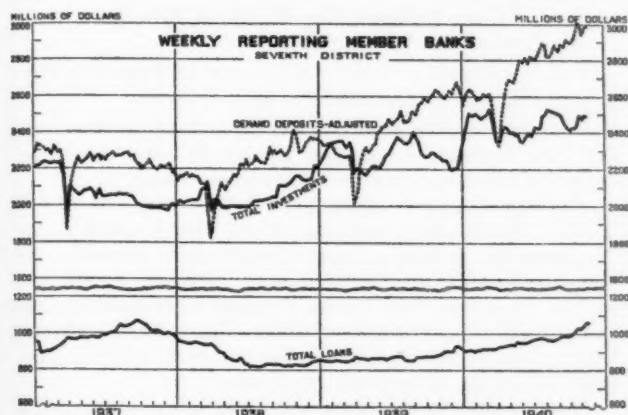
In addition to the unusually high production of milk for this season of the year, a principal development in the dairy situation has been the substantial improvement in prices of butter and cheese. By mid-November, prices for 92-score butter at Chicago reached 33 cents, a gain of over 4 cents since early October, while cheese quotations showed similar strength. This rise in prices has been somewhat more than is seasonally usual and apparently reflects the increase in consumer purchasing power. According to the Bureau of Agricultural Economics, prospects are for a continued high level of consumption of dairy products for the winter as a whole.



By months, through September 1940.

Credit and Finance

Weekly Reporting Member Banks—Loans of Seventh district weekly reporting member banks during the five weeks ended November 20 continued the expansion that has been evident since early June. At that time outstanding loans stood around \$950 million, while on November 20 the total was \$1,059 million, an increase of 12 per cent. While part of this rise undoubtedly is seasonal in nature, a sizable proportion is believed to be due to the rising level of business activity over the period. Other changes in assets and liabilities of these banks during the five weeks under review were of little immediate significance—investments rose because of somewhat heavier acquisitions of Treasury bills, and demand deposits continued their upward trend.



Weekly figures for reporting member banks in leading cities of the Seventh district, January 6, 1937, to November 20, 1940.

Securities Markets—Bond prices continued firm during the latter part of October and the first three weeks of November, with the "gilt-edged" section of the market moving into new high ground. Treasury and municipal bonds have been particularly strong, the sharpest increases coming early in November. Indications that future issues of such securities might not include the current tax-exemption feature lent a sort of scarcity enhancement to those already outstanding at the time. New corporate and municipal bonds were issued in heavy volume during October and included several particularly large individual issues, such as those of the Southern California Edison Company, The Youngstown Sheet and Tube Company, City of Los Angeles Department of Water and Power, and the serial water bonds of New York City. Issues during the first few weeks of November were in much lower volume than in October.

In the latter part of October, the Treasury offered for cash subscription \$112,000,000 of United States Housing Authority notes, dated November 1, 1940, and maturing in one year. These notes bore a 1/4 per cent coupon. A little more than \$10,000,000 of the notes was allotted to Seventh district investors. In mid-November, the Treasury announced that the 3 3/8 per cent bonds of 1941-43 were called for payment on March 15, 1941. The issue is outstanding in the amount of about \$545,000,000.

In early November, the Treasury commenced issuing weekly series of Treasury bills under the provision of Section 302 of the Revenue Act of 1940, which authorized the Treasury to issue special national defense securities in

the amount of 4 billion dollars, over and above the statutory \$45 billion debt limit. Proceeds from these bills will be used to reimburse the general fund, in part, for national defense expenditures since July 1, from which fund, in turn, will come repayment for the weekly maturities. These bills had been issued under the regular debt limit of \$45 billion and the current procedure will, consequently, transfer indebtedness from under this limit to the supplementary \$4 billion authorization.

Between October 2 and November 20, the Federal Reserve System's portfolio of Government securities was reduced by over \$200,000,000. On the latter date, such holdings were \$362,000,000 lower than a year earlier.

Selected Seventh District Banking Data

CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT (Amounts in millions)

ASSETS	Change from		
	Nov. 20, 1940	Oct. 18, 1940	Nov. 22, 1939
Loans and investments—total.....	\$3,548	\$+98	\$+401
Loans—total.....	1,059	+34	+152
Commercial, industrial, and agricultural loans.....	649	+26	+109
Open-market paper.....	40	-3	+5
Loans to brokers and dealers in securities.....	37	+4	+7
Other loans for purchasing or carrying securities.....	65	-3	-11
Real estate loans.....	128	+2	+18
Loans to banks.....	0	0	0
Other loans.....	140	+8	+24
U. S. Treasury bills.....	239	+40	+207
U. S. Treasury notes.....	260	+12	-158
U. S. Treasury bonds.....	1,092	0	+164
Obligations fully guaranteed by U. S. Government.....	271	-1	-40
Other securities.....	568	+13	+76
Cash reserves, other than items in process of collection.....	2,259	-89	+285
LIABILITIES			
Demand deposits—adjusted.....	2,986	+25	+375
Time deposits.....	986	+9	+41
Inter-bank deposits.....	1,343	-28	+181
U. S. Government deposits.....	137	-1	+26
Turnover velocity of demand deposits (annual rate).....			
	Nov. 1-20, 1940	Oct. 1-20, 1939	Nov. 1-20, 1939
	21.32	20.80	20.00

BANK DEBITS, SEVENTH DISTRICT (Amounts in millions)

	October 1940	Per Cent Change from October 1939	First Ten Months of 1940	Per Cent Change from Same Period of 1939
Chicago.....	\$3,420	+21.5	\$30,195	+6.4
Des Moines.....	103	+7.2	966	+3.3
Detroit.....	1,181	+28.5	9,978	+18.5
Fort Wayne.....	26	+7.0	329	+7.7
Grand Rapids.....	64	+8.5	583	+12.6
Indianapolis.....	238	+11.4	2,142	+10.1
Milwaukee.....	282	+4.2	2,693	+5.9
Peoria.....	70	+14.7	608	+12.1
South Bend.....	50	+24.8	436	+21.6
32 smaller cities.....	591	+10.4	5,250	+11.4
Total 41 cities.....	6,035	+19.3	53,180	+9.3

VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS FEDERAL RESERVE BANK OF CHICAGO

ITEMS HANDLED	Average for Each Banking Day during	
	October 1940	October 1939
Commercial checks.....	525,000	511,000
Non-cash collections (Bills, notes, bonds, coupons, etc.)..	2,281	2,327
Paper currency received and counted.....	1,080,000	1,230,000
Coins received and counted.....	324,000	435,000
Wire and other transfers of funds (Inter- and intra-district)	497	486
Securities in and out of safekeeping.....	905	896
Coupons cut from securities in safekeeping.....	1,814	1,842
DOLLAR AMOUNTS		
Commercial checks.....	115,592,000	99,286,000
Non-cash collections (Bills, notes, bonds, coupons, etc.)..	2,512,000	2,391,000
Paper currency received and counted.....	4,908,000	4,866,000
Coins received and counted.....	51,339	57,721
Wire and other transfers of funds (Inter- and intra-district)	79,129,000	61,086,000
Securities in and out of safekeeping.....	22,215,000	12,064,000
Value of securities held in safekeeping at end of month...	922,000,000	883,000,000

MONTHLY BUSINESS INDEXES

Data refer to Seventh district and are not adjusted for seasonal variation unless otherwise indicated.
1935-39 average = 100

	Oct. 1940	Sept. 1940	Aug. 1940	Oct. 1939	Sept. 1939	Aug. 1939
Manufacturing Industries:						
Durable Goods:						
Employment.....	123	117	108	108	102	89
Payrolls.....	144	133	122	118	106	94
Non-Durable Goods:						
Employment.....	107	107	104	101	102	101
Payrolls.....	112	111	108	110	108	106
Total:						
Employment.....	118	114	107	106	102	94
Payrolls.....	135	126	117	116	107	98
Pig Iron Production:						
Illinois and Indiana.....	181	173	168	154	120	107
Automobile Production—(U. S.):						
Passenger Cars.....	161	86	18	96	62	24
Trucks.....	121	75	49	104	46	65
Casting Foundries Shipments:						
Steel—In Dollars.....	162	137	129	114	84	88
In Tons.....	144	116	109	102	74	73
Malleable—In Dollars.....	147	123	117	124	95	96
In Tons.....	135	114	108	117	90	88
Railroad Freight Carloadings:						
Originating in Chicago Industrial Area.....	121	125	109	118	114	101
Stoves and Furnaces:						
Shipments.....	186	162	134	156	152	100
Furniture Manufacturing:						
Orders in Dollars.....	154	157	140	144	140	119
Shipments in Dollars.....	164	140	124	143	126	123
Paper Manufacturing:						
Tonnage Production.....	115	107	111	124	113	110
Petroleum Refining—(Indiana, Illinois, Kentucky Area):						
Crude Runs to Still.....	150	147	146	132	126	119
Gasoline Production.....	145	140	141	132	129	119
Bituminous Coal Production:						
Illinois, Indiana, Iowa, and Michigan.....	96	110	94	125	100	76
Building Contracts Awarded:						
Residential.....	272	297	229	194	183	218
Total.....	171	176	159	114	167	133
Meat Packing—(U. S.):						
Production.....	134	105	107	116	106	103
Sales Tonnage.....	137	118	124	113	115	116
Sales in Dollars.....	111	107	102	107	110	96
Dairy Products:						
Creamery Butter Production.....	93	104	115	88	100	117
American Cheese Production—(Wisconsin).....	103	116	128	100	108	113
Department Store Net Sales:						
Chicago.....	111	112	93	111	104	85
Detroit.....	109	156	87	105	143	74
Indianapolis.....	128	137	101	126	119	91
Milwaukee.....	116	126	98	116	116	86
Other Cities.....	111	115	100	113	112	87
Seventh District—Unadjusted.....	112	125	93	111	118	83
Adjusted.....	107	113	118	106	105	105

*Daily average basis.

Current Events

Eight New Member Banks

During late October and in November up to the time of this issue going to press, seven State banks joined the Federal Reserve System in the Chicago district and an eighth, the Plainfield State Bank, Plainfield, Illinois, became a member through conversion into a national bank. The seven new State members are the Citizens State Bank, Marshall, Indiana; Union Bank and Trust Company, Delphi, Indiana; State Bank of Rock Island, Rock Island, Illinois; The Grant State Bank, Grant, Michigan; Camp Grove State Bank, Camp Grove, Illinois; the Security State Bank, New Hampton, Iowa; and the Security State Bank, Sheldon, Iowa. Since the first of the year, State banks in the various portions of the Seventh district have joined the System in the following numbers:

Illinois	5
Indiana	26
Iowa	6
Michigan	11
Wisconsin	1
Total	49

Reserve Officers Appointed to Defense Posts

In the belief that participation of smaller business concerns throughout the country is vital to the defense program, the National Defense Advisory Commission has designated Mr. Donald M. Nelson of the Commission as Director of Small Business Activities. The Defense Commission has asked the Board of Governors of the Federal Reserve System to serve as operating agent in carrying out this purpose. To this end officers in each of the twelve Federal Reserve banks and their twenty-four branches have been designated to serve as field representatives of the Director of Small Business Activities and of the Board of Governors. Officers appointed for this district are:

H. P. Preston, First Vice President, Seventh Federal Reserve District

A. L. Olson, Assistant Vice President, Chicago area

H. J. Chalfont, Cashier, Detroit area

These officers are to assist the Director of Small Business Activities through performance of several duties:

To make confidential reports from time to time concerning business enterprises located in their respective districts and desiring to obtain defense orders;

To acquaint local banks with the procedure to be followed in accepting assignment of claims against the Government resulting from Government contracts, as security for loans;

To encourage local banks to make loan commitments on condition that borrowers obtain Government contracts and assign claims against the Government resulting from such contracts as security for loans;

To furnish business enterprises with information on the procedure to follow and proper contacts to make relative to obtaining defense contracts;

To assist those business enterprises which have secured defense orders and are unable to get necessary credit from local commercial banks, to obtain loans from the Federal Reserve banks or R.F.C.

Szymczak Addresses Illinois Bankers

On Thursday evening, November 14, Governor M. S. Szymczak of the Board of Governors of the Federal Reserve System, spoke at the annual fall dinner of the Illinois Bankers Association. Stressing some of the problems concerning reserves and credit policies with which central banking authorities are confronted, Governor Szymczak pointed out that since bank reserves now form a potential basis for an over-extension of credit, the cooperation of commercial banks in the solution of these problems is indispensable.

Delphi, Indiana, Rotarians Hear Hodge

On November 19, Mr. Paul C. Hodge, Assistant Counsel of this bank, addressed about fifty members and guests of the Delphi, Indiana, Rotary Club on the subject, "The Federal Reserve System and the Advantages of Membership." Delphi is the location of one of the new Federal Reserve member banks, the Union Bank and Trust Company.

Young Speaks at Testimonial Dinner

On November 12, Mr. C. S. Young, Vice President of the Federal Reserve Bank of Chicago, addressed those assembled at a testimonial dinner in honor of Mr. H. M. Stone. Mr. Stone, who is President of the City National Bank of Kankakee, Illinois, has recently completed fifty years in the banking business.

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Federal Reserve Bank of Chicago

DIRECTORS

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FRANK J. LEWIS, Chicago, Ill.....*Deputy Chairman*
MAX W. BABB.....Milwaukee, Wis. CLIFFORD V. GREGORY.....Des Moines, Iowa
WALTER J. CUMMINGS.....Chicago, Ill. NICHOLAS H. NOYES.....Indianapolis, Ind.
E. R. ESTBERG.....Waukesha, Wis. CHARLES B. VAN DUSEN.....Detroit, Mich.
FRANK D. WILLIAMS.....Iowa City, Iowa

MEMBER OF FEDERAL ADVISORY COUNCIL

EDWARD E. BROWN.....Chicago, Ill.

OFFICERS

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H. P. PRESTON.....*First Vice President*
J. H. DILLARD.....*Vice President*
W. H. SNYDER.....*Vice President and Cashier*
C. S. YOUNG.....*Vice President*
C. B. DUNN.....*General Counsel*

W. C. BACHMAN.....*Assistant Vice President* N. B. DAWES.....*Assistant Cashier*
O. J. NETTERSTROM.....*Assistant Vice President* W. A. HOPKINS.....*Assistant Cashier*
A. L. OLSON.....*Assistant Vice President* F. A. LINDSTEN.....*Assistant Cashier*
A. T. SIHLER.....*Assistant Vice President* L. G. MEYER.....*Assistant Cashier*
A. M. BLACK...*Manager, Planning Department* F. L. PURRINGTON.....*Assistant Cashier*
J. J. ENDRES.....*Auditor* J. G. ROBERTS.....*Assistant Cashier*
P. C. HODGE.....*Assistant Counsel* C. M. SALTNES.....*Assistant Cashier*

DETROIT BRANCH

DIRECTORS

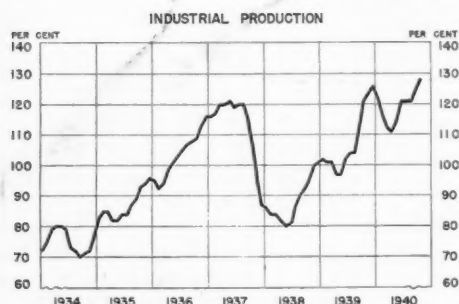
JAMES E. DAVIDSON.....Bay City, Mich. WALTER S. McLUCAS.....Detroit, Mich.
JOSEPH M. DODGE.....Detroit, Mich. HARRY L. PIERSON.....Detroit, Mich.
A. C. MARSHALL.....Detroit, Mich. L. WHITNEY WATKINS.....Manchester, Mich.

OFFICERS

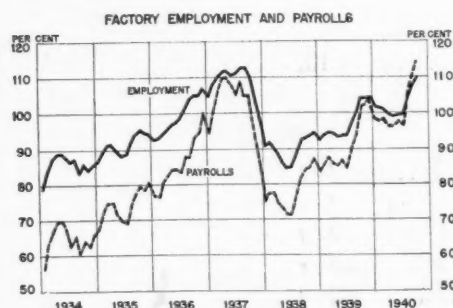
H. J. CHALFONT.....*Cashier* H. L. DIEHL.....*Assistant Cashier*

National Summary of Business Conditions

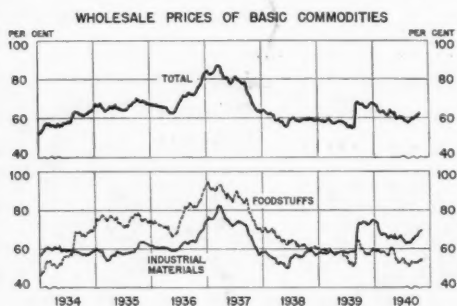
(By the Board of Governors of the Federal Reserve System)



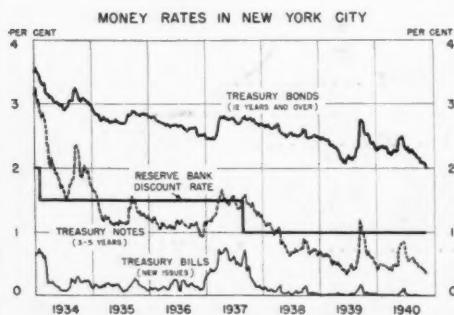
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. By months, January 1934 to October 1940.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average = 100. By months, January 1934 to October 1940. Indexes compiled by the United States Bureau of Labor Statistics.



Federal Reserve groupings of Bureau of Labor Statistics' data, 1926 = 100. Thursday figures, January 4, 1934, to November 7, 1940.



For weeks ending January 6, 1934, to November 9, 1940.

INDUSTRIAL output rose sharply in October and the first half of November and prices of basic commodities advanced further. New orders both for defense purposes and for civilian needs continued in large volume.

Production—Volume of industrial production, as measured by the Board's seasonally adjusted index, rose further in October to about 128 per cent of the 1935-1939 average as compared with 125 in September and 126 at the peak reached last December.

Increases in output were marked in the automobile and textile industries. In the rayon industry, where production in September had been curtailed by a strike, activity increased considerably, and cotton textile mills were also more active. Mill sales of cotton goods have been large since the middle of August, reflecting increased civilian and military demand, and have been in excess of production during most of this period. At wool textile mills, where activity had risen sharply in September, there was a further increase in October. Backlogs of orders in this industry are now of considerable size owing to a large volume of orders received during the past two months, particularly from the Government. Automobile production rose to about 500,000 cars and trucks, the largest monthly total since the spring of 1937, and retail sales of both new and used automobiles were reported to be large for this time of year.

In the steel and machinery industries activity continued at a high rate in October. In the first half of November steel ingot production advanced slightly further and was at about 96 per cent of capacity. This high rate of output is expected to be maintained for some time to come, according to trade reports, as new orders for steel have continued large. Lumber production, which had risen sharply since midsummer, declined less than seasonally in October. New orders for lumber were somewhat below the high rate of August and September but remained above production, reflecting in part continued Government demands.

Bituminous coal production declined sharply in October but in the first half of November showed some increase. In this industry output had been maintained in large volume during the summer owing in part to considerable stocking of coal in anticipation of higher prices. Anthracite production also declined in the first half of October but rose sharply in the latter part of the month owing in part to seasonal influences. Crude petroleum production, which had been curtailed during most of the summer, increased further in October.

Value of construction contract awards increased in October, following a decline in the previous month, according to figures of the F. W. Dodge Corporation and the Federal Reserve Bank of San Francisco. Changes in the amount of contract awards in recent months have reflected principally fluctuations in contracts for public projects. Awards for private construction have shown about the usual seasonal changes, following a sharp rise in July and August.

Distribution—In October department store sales declined considerably from the advanced level of the two preceding months, while sales at variety stores, which also had been large in August and September, increased seasonally. In the early part of November department store sales increased somewhat.

Total loadings of revenue freight in October were maintained at about the level reached in September. Shipments of miscellaneous merchandise increased further, while loadings of coal showed a sharp decrease. In the first week of November freight-car loadings declined by less than the usual seasonal amount.

Wholesale Commodity Prices—Prices of basic commodities continued to advance from the middle of October to the middle of November, with the chief increases in industrial materials, particularly lead, hides, wool, and textile yarns. The general index of wholesale commodity prices rose further by about one per cent in this period, reflecting increases in prices of some finished goods as well as of materials.

Bank Credit—Total loans and investments at reporting member banks in 101 leading cities have increased substantially since the end of September. Commercial loans showed sizable increases both in New York City and in other leading cities. Following reductions during August and September, holdings of United States Government obligations at these banks also increased. Federal Reserve System holdings of Government obligations were reduced by \$180,000,000 between September 25 and November 13.

United States Government Security Prices—After rising moderately during the latter part of October prices of United States Government securities advanced sharply in the early part of November. The quotation on the 1960-65 bonds reached a new high level at about 110½, and the yield on this issue declined to 2.12 per cent compared with 2.25 per cent in October and 2.26 per cent in June 1939 and again in April 1940. The average yield on 3- to 5-year Treasury notes declined to less than ¾ of 1 per cent.

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